

Budget / Claim ‘Indirect Costs’ under IDEA Entitlement Grants

Indirect cost recovery is allowed under the IDEA entitlement flow-through and preschool grants up to the LEA’s established restricted indirect rate.

LEAs may budget for indirect at any time during the grant period; however, once indirect funds have been approved in the budget any claims submitted will generate an indirect reimbursement amount. LEAs always have the option to wait until the final claim to include indirect reimbursement. To apply this method, LEAs must wait to budget for indirect until the LEA is ready to submit a final claim.

To budget for indirect, click on the “Indirect” hyperlink located on the menu within the preschool, flow-through or CEIS budget (indirect is budgeted independently within these programs). The following screen will appear:

Amount budgeted for Flow-Through (excludes indirect):	\$576,615 A
Amount excluded from indirect calculation - Capital Objects:	\$6,000 B
Amount excluded from indirect - Contract Amounts > \$25,000:	\$0
Amount against which indirect costs may be calculated(Base):	\$570,615 C
Restricted Indirect Rate:	3.6700 % D
Maximum Indirect Amount available:	\$20,942 E
Available funds not currently allocated:	\$13,565 F
Amount to Budget for Indirect Costs:	<input type="text" value="\$0"/> G

A	This is the amount of the allocation currently budgeted. It is not the amount of funds available (including carryover), which may be greater than what is budgeted.
B	Items that are budgeted as capital (500 objects) must be removed from the calculation.
C	This is the base amount in which the restricted indirect rate is calculated. It is the amount of the allocation budgeted less any amount budgeted for capital objects.
D	This is the restricted indirect rate determined by DPI. This rate may change during the year due to the timing of the budgets. The LEA’s prior year restricted indirect rate is used for the current fiscal year until the updated rate has been established. Once the rate is determined the software is updated. This may result in the need for the LEA to submit a budget amendment if the current rate is lower than the prior year’s rate.
E	This is the maximum amount the LEA may budget for indirect cost recovery. It is the base amount (\$570,615) multiplied by the restricted indirect rate (3.67%). The amount the LEA may budget for indirect is dependent on the available funds not currently allocated (F).
F	This is the amount of funds the LEA has available but not yet budgeted. Although the LEA in this example has a max of \$20,942 for indirect cost recovery, it has budgeted all but \$13,565 of its available funds on direct costs. Thus only \$13,565 is available to allocate for indirect.
G	In this field, the LEA determines how much it chooses to allocate for indirect cost recovery. The LEA may budget any amount up to its available funds (which will never be greater than the maximum indirect amount available).

Restricted Indirect Rate:	3.6700 %
Maximum Indirect Amount available:	\$20,942
Available funds not currently allocated:	\$4,565 F
Amount to Budget for Indirect Costs:	<input type="text" value="\$9,000"/> G
Effective Indirect Rate (Indirect Budgeted / Base Cost):	1.5772 % H
Indirect Claimed to Date:	N/A

G	Of the \$13,565 available, the LEA chose to budget \$9,000 for indirect cost recovery. This amount is typed into the field and then the “update” button is clicked.
F	When the update button is clicked, the calculation updates the funds not currently allocated to include the amount now budgeted for indirect costs. In this example, the amount not budgeted is now at the lower amount of \$4,565.
H	The LEA’s restricted indirect rate is 3.67% The LEA had the option of budgeting up to \$20,942 on indirect cost recovery. The LEA chose to budget \$9,000 for indirect cost recovery. This creates an “Effective Indirect Rate” of 1.5772%. The Effective Indirect Rate will be used during the claim process.

To claim indirect, there must be an amount in the ‘Amount to Budget for Indirect Costs’ in the last approved budget. Once established, the effective indirect rate is automatically applied to all future claims. The following message appears on the bottom of the second screen of the claiming process, where LEAs enter expenditures against items in the last approved budget:

If budgeted, indirect will be automatically calculated on next screen. Rate applied will be 1.577 % (adjusted for prior claims).

The rate is applied against all claimed expenditures except items claimed under capital objects (500s) and will appear on the last expenditure line of the claim.

When the Effective Indirect Rate is Reduced

If the effective indirect rate is reduced between claims, an adjustment will be made in the next claim. An effective indirect rate may decrease if additional funds are budgeted after the LEA has an approved budget amount for indirect costs. In example **A**, the LEA has \$824,972 available in flow-through funds, but budgets only \$360,555. The amount available for indirect is based on the amount budgeted, and the LEA requests the whole amount (making the effective indirect rate 2.86%).

A	Amount budgeted for Flow-Through (excludes indirect):	\$360,555
	Amount excluded from indirect calculation - Capital Objects:	\$5,000
	Amount excluded from indirect - Contract Amounts > \$25,000:	\$0
	Amount against which indirect costs may be calculated(Base):	\$355,555
	Restricted Indirect Rate:	2.8600 %
	Maximum Indirect Amount available:	\$10,169
	Available funds not currently allocated:	\$388,913
	Amount to Budget for Indirect Costs:	<input type="text" value="\$10,169"/>
	Effective Indirect Rate (Indirect Budgeted / Base Cost):	2.8600 %

In a future budget (**B**), the LEA adds an additional \$300,000 in budgeted costs, but does not update the amount requested for indirect costs. This will lower the effective indirect rate from 2.86% to 1.55%.

B	Amount against which indirect costs may be calculated(Base):	\$655,555
	Maximum Indirect Amount available:	\$18,749
	Available funds not currently allocated:	\$88,913
	Amount to Budget for Indirect Costs:	\$10,169
	Effective Indirect Rate (Indirect Budgeted / Base Cost):	1.5512 %

If the LEA has already submitted claims applying the 1.55% effective indirect rate, the next claim will automatically adjust to address indirect amounts previously over claimed.

Recording Indirect

Because funds received through IDEA flow-through and preschool indirect cost recovery are for all programs, not just special education, LEAs need to account for a transfer of revenue from fund 27 to fund 10 in the following manner:

Record Indirect Revenue Received from DPI

Fund	Type	Object/Source	Function	Debit	Credit
27	B		711100	\$XX.XX	
27	R	730			\$XX.XX

Record Indirect Cost Transfer Between Funds

Fund	Type	Object/Source	Function	Project	Debit	Credit
27	E	810	418000	34X	\$XX.XX	
27	B		711100			\$XX.XX
10	B		711100		\$XX.XX	
10	R	127	418000			\$XX.XX

IDEA's Coordinated Early Intervening Services (CEIS) expenditures and revenue are coded to fund 10, so any indirect claimed for this project would not need to be transferred into another fund.

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Document Location: dpi.wi.gov/files/wisegrants/pdf/indirect-idea.pdf